

HOUSE BILL REPORT

HB 1165

As Reported by House Committee On:
Appropriations

Title: An act relating to student transportation funding.

Brief Description: Regarding student transportation funding.

Sponsors: Representatives Fromhold, Orcutt, Anderson, Lantz, VanDeWege, Hunter, Wallace, McDonald, Sells, Kenney, Williams, Ormsby, Schual-Berke, Miloscia, Simpson, Campbell, P. Sullivan, Morrell, Moeller and Haler.

Brief History:

Committee Activity:

Appropriations: 1/29/07, 2/27/07 [DPS].

Brief Summary of Substitute Bill

- Directs that additional amounts appropriated for student transportation, beyond inflation and caseload adjustments, be allocated to districts in proportion to the district-by-district "funding variance" amounts documented in the Joint Legislative Audit and Review Committee's 2006 K-12 Pupil Transportation Funding Study.
- Directs the Office of the Superintendent of Public Instruction (OSPI) to develop a new pupil transportation distribution formula, in consultation with a pupil transportation expert consultant, for implementation beginning in the 2009-10 school year.
- Provides policy guidance for the development of the new formula, with an emphasis on system transparency, efficiency, and data reliability.
- Requires that, effective September 1, 2009, transportation for extended day programs provided under basic education, special education, learning assistance, and bilingual education programs be funded by the state's pupil transportation funding formula.

HOUSE COMMITTEE ON APPROPRIATIONS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille, Ericks, Fromhold, Grant, Haigh, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Schual-Berke, Seaquist and P. Sullivan.

Minority Report: Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Dunn, Hinkle, Kretz, Priest and Walsh.

Staff: Ben Rarick (786-7349).

Background:

Washington provides funding to school districts for pupil transportation using a funding method that was developed in the early 1980s. This method has not been significantly changed since its development. In the 2005-07 Operating Budget, the Legislature appropriated approximately \$500 million for pupil transportation. Of that, about \$423 million is for the operation of transportation programs, and about \$77 million is for school bus purchases and replacements.

The Legislature's funding method is designed to fund the transportation of eligible students to and from school at 100 percent or as close thereto as reasonably possible. Certain types of transportation are not funded under the formula, such as transportation for athletic events, or other extracurricular programs not considered part of the basic education program.

The 2005-07 Operating Budget mandated that the Joint Legislative Audit and Review Committee (JLARC) review pupil transportation funding in Washington. Specifically, the study sought to:

- document the extent to which districts track or report "to and from" transportation;
- document the extent to which the transportation funding method reflects the actual costs of providing "to and from" transportation;
- research alternative funding methods that may more accurately promote the efficient use of resources; and
- identify any nationally recognized best practices in pupil transportation, whether Washington follows best practices, and which best practices could be applied in Washington.

The JLARC study found that there is a 95 percent probability that "to and from" pupil transportation expenditures exceeded state revenues by between \$92,619,322 and \$114,376,345 in the 2004-05 school year. The JLARC also found while most (187) pupil transportation programs received less state funding than their statistically expected costs, there were 76 programs that received *more* state funding than their statistically expected costs. The JLARC cautioned the Legislature against simply increasing current allocations in the current formula by the statewide difference between funding and spending for "to and from" transportation, since this may exacerbate district-by-district inequities created by what the JLARC perceives as structural limitations in the current model.

Regarding accounting methods, the JLARC found that districts are not required to separate out "to and from" transportation costs from other transportation costs, and local efforts to do so varied substantially. In terms of best practices, the study reviewed formulas from other states and identified several recognized best practices but it did not make specific recommendations on a formula to be adopted. The JLARC emphasized that legislative priorities should dictate which funding method was most appropriate.

Summary of Substitute Bill:

2007-09 Proposal

Until a new formula is implemented, the Legislature intends to make pro-rata payments to districts in addition to amounts allocated under the current K-12 pupil transportation formula. The Office of the Superintendent of Public Instruction (OSPI) must allocate any additional amounts appropriated proportionally, based on the funding variance between a district's allocation in 2004-05, and the JLARC study's "best estimate" for that district. The OSPI may adjust the allocation based on revised data.

Direction for New Formula

The OSPI must develop a new distribution formula for implementation beginning in the 2009-10 school year. An interim report on the proposed formula is required by December 1, 2007, with final recommendations due December 1, 2008.

The new formula must address the following criteria:

- The new formula must be based on major transportation cost factors, including but not limited to driver and aide salaries, road miles (rather than the current practice of using radius miles), student loads, fuel, maintenance, and supervision.
- The new formula must also address the following priorities of the Legislature: (a) it must be based on reliable data, (b) it must be transparent, and (c) it must allow for the underlying cost factors to be adjusted over time. The new formula may allow use of data from district transportation routing programs, but would prohibit the OSPI from requiring such programs. It must not be a direct reimbursement model.
- The new formula must also include reasonable controls on compensation costs, efficient use of vehicle capacity, and efficient routing.
- The new formula must provide full allocation for transportation of all K-5 students, and cover students in grades 6-12 from route stops more than one mile from school. It must also cover transportation for academic extended day programming offered under the Basic Education Act, special education, Learning Assistance Program, and bilingual programs.

Response to JLARC Recommendations

School districts must separate "to and from" transportation costs from other costs. Also, a clarification is made that transportation to and from learning centers for "instruction specifically required by statute" means instruction in basic education, special education, bilingual, and Learning Assistance Programs.

Substitute Bill Compared to Original Bill:

The substitute bill directs OSPI to hire a school transportation expert consultant to assist in the development of a new formula. It establishes a workgroup of legislators, representatives from the Office of Financial Management, and school district officials to provide advice and oversight in the development of the formula. The substitute bill requires quarterly progress reports from OSPI to the fiscal committees of the Legislature. The substitute bill also specifies that, effective September 1, 2009, extended day transportation provided as part of basic education programs shall be covered by the state's pupil transportation funding formula.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed, except section 2, relating to definitions, which takes effect September 1, 2009.

Staff Summary of Public Testimony:

(In support) My districts cannot generate enough funding through the current funding formula to cover the costs of pupil transportation because it is based on radius miles, not actual miles driven. The radius mile concept ignores the geographic features of districts. I support this bill because it provides both short- and long-term relief to school districts. The bill also specifies that the new formula must have efficiency assumptions. We know districts are underfunded using the current formula; the JLARC Report documents this.

The Public School Employees of Washington, which represents 26,000 classified staff in the state, participated in the study group in the House of Representatives in 2004 that looked at systemic problems with public school finance in Washington. The group agreed that if there were identifiable problems that we should start making progress on them. Transportation was identified as an area in need of improvement. The JLARC study provides a range of the estimated shortfall of funding and the bill provides a mechanism to make progress to that goal. In the process, the Chief State School Officers Association can be of assistance, as they have expertise in helping states on transportation funding issues.

The Washington Pupil Transportation Association agrees with the findings of the JLARC Report. Because of the degree of underfunding, districts are forced to backfill with levy money which indirectly takes money away from classroom activities. I support this bill.

The Evergreen School District has one of the largest transportation programs in the state. We subsidize about \$3.5 million of our transportation program with local levy money, since the state allocation doesn't cover our costs. I support this bill because it provides both short- and long-term relief to school districts.

(Opposed) None.

Persons Testifying: Jennifer Priddy, Office of the Superintendent of Public Instruction; Representative Orcutt; Terry Bergeson, Superintendent of Public Instruction; Theresa Hikel, District Washington Association for Pupil Transportation; Mitch Denning, Alliance of Education Associations; John Eschenbacher, Moses Lake School District; Gary Thomsen, Evergreen School District; Scott Logan, Washington Association for Pupil Transportation; and Ken Kanikenberg, Public School Employees of Washington.

Persons Signed In To Testify But Not Testifying: None.